

AFRICA RISK CONSULTING

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The United Kingdom (UK) parliament votes to impose targeted sanctions against government officials and security agents and to ban funding and training of police. Although non-binding, the vote has provoked a strong response in Nigeria. Military and security chiefs have assumed control of President Muhammadu Buhari's (2015-present) governing entourage. A bunker has taken hold of the presidency, scuppering hopes of second-term reforms and threatening a hard line on any further popular protests. A financial crunch looms: the economy contracted 3.2% in the second quarter on top of a 6.1% contraction in the first. Foreign direct investment is down and portfolio investors have fled. Despite oil price relief, the federal government remains cash strapped. Fuel and electricity price increases feed inflation as Covid-struck household indebtedness increases. As the holidays approach, there is a risk of further social unrest as people are unable to afford to travel home. Faced with this crisis, politicians finally drive the Petroleum Industry Bill to a second reading. It will take five years to implement and is no panacea for the immediate crisis. The extent of Nigeria's oil sector corruption and the apparent complicity of international banks and oil companies will again be on display after a UK high court ruled that a Nigerian government lawsuit against United States-based bank JP Morgan Chase will proceed to trial.

UK parliament calls for sanctions against government officials

Nigeria is reeling from the international backlash to what local and international activists are now calling the "Lekki Massacre", when Nigeria's military opened fire on protesters taking part in an anti-police brutality demonstration on 20 October. **United Kingdom (UK)**-based non-governmental organisation **Amnesty International** estimates that security forces killed 56 people after opening fire with live rounds and no warning (see *ARC Briefing Nigeria October 2020*).¹ #EndSARS protesters had been occupying the **Lekki Toll Gate**, east of **Lagos (Lagos State)**, for over a week. #EndSARS is a crowd-funded, social media-led campaign that was launched after a video showing a member of Nigeria's notorious **Special Anti-Robbery Squad (SARS)** summarily executing a person spread on social media.

The UK parliament, responding to a petition signed by 220,000 UK citizens – many of Nigerian heritage and dual citizenship – debated and voted on 23 November in favour of sanctions against key individuals in Nigeria's government and security forces. Any petition that reaches 100,000 signatures will secure a debate in the UK parliament. Senior UK **Conservative Party** member and former cabinet minister **Theresa Villiers** led the debate.

*"The petitioners are asking for **Magnitsky**-type sanctions against known individuals within the Nigerian Government and security forces. There is a recognition that generalised, old-style sanctions applied to the country as a whole might cause hardship to ordinary people not in any way responsible for the problems highlighted by the petition, so this debate is a vital opportunity to hear from the Minister and have her respond to the urgent appeal from the e-petitioners that the Government consider imposing targeted sanctions against certain individuals believed to be culpable in relation to the violent and excessive police response to peaceful protests in Nigeria. The new Magnitsky sanctions regime started to operate in July... I believe that the petitioners*

¹ Amnesty International reported 12 deaths, other media reported 10 deaths

have a credible case for the imposition of individualised sanctions such as travel bans and asset freezes.”²

Although the parliamentary vote was non-binding, it marks a first step to the actual imposition of targeted sanctions against government officials and security agents and a ban on funding and training of police. In the past, UK government attempts to impose high-cost visas on Nigerian citizens as part of the Conservative government’s wider anti-immigrant measures resulted in resounding protests from **London’s** high-end retailers. However, targeted sanctions in response to these human rights abuses are unlikely to face opposition. The Magnitsky-type sanctions, if imposed, would hurt Nigeria’s political and security elites, who traditionally maintain close ties with the UK for private healthcare, private education and to shop. President **Muhammadu Buhari** (2015-present) spent several months of his first term in office receiving medical treatment in London.

Bunker mentality as security arm takes control in Aso Rock

The UK parliamentary vote and the threat of sanctions have provoked a strong response from within the presidency. Faced with nationwide #EndSARS protests, the Lekki killings, an international backlash and the government losing support so soon into the new term, senior security staff have stepped in and taken charge, reportedly with the president’s support. Nigeria’s military and security chiefs have assumed control of the ruling entourage surrounding President Buhari. A bunker mentality not seen since dictator General **Sani Abacha** (1993-1998) faced international criticism over the killing of **Ogoni** nationalist politician and environmental activist **Ken Saro Wiwa** has taken hold of the presidency at **Aso Rock (Abuja)**. President Buhari, as a former military ruler, has reportedly allowed this to happen.

*“After the **Lekki** killings, the [**National Security Advisor**] **NSA** heralded a speech to be made by the president ... We expected the president to highlight his unhappiness at the military’s handling of this and that he would push for a long-planned reorganisation of the military. The announcement was to be about reform and how the presidency was working on it. Everyone expected an announcement on the retirement of [**Lieutenant General Tukur**] **Buratai** and the service chiefs - but it didn’t happen.”³*

When the speech came, it was clear that the service chiefs had hijacked the president’s response to the Lekki peninsular attacks. The speech had been watered down to looking at police reform and increases of salaries and wages of police and, unsurprisingly, the military. The state pays middle and senior ranks of the military well, although the same is not true of the rank and file soldier.⁴

While many original members of the ruling **All People’s Congress (APC)** had hoped Buhari’s reforms would extend to retiring Buratai and the services chiefs, they are now more prominent than at any time since 1999.⁵ Abuja sources say that the president is now in his comfort zone with this military-backed configuration, which may remain until the end of his term. However, the likelihood is that Nigeria will become as repressive as it likes with the armed services chiefs back in charge. Army chief of staff Buratai has led the service chiefs’ hard-line response. Others involved are Chief of Defence Staff **Abayomi Gabriel Olonisakin**, Chief of Air Staff Air Marshal **Sadique Abubakar** and NSA General **Babagana Monguno**.

The security chiefs-inspired federal government response has been to deny the Lekki shootings took place.⁶

*“Nigeria is moving in the wrong direction. The security cabal are talking about shutting down social media [in response to **United States (US)**-based news outlet **CNN’s** verified reports drawn*

² Hansard, 23 Nov 2020

³ ARC source, Abuja

⁴ Source, ARC analyst, Nigeria

⁵ Source, ARC analyst, Nigeria

⁶ Africa Confidential 5 Nov 2020

*from social media]. They cite **Tanzania** as an example and how [President **John**] **Magufuli** [2015-present] has shut down media, ignored the international community, and still the international community funds Tanzania. The thinking is that they will be a pariah state but because of **COVID-19**, there will be no international moves to stop funding them or impose sanctions. The thinking is ‘they [the international community] will still give us money and US will still want to sell us arms. We won’t be intimidated. We are a sovereign nation.’⁷*

Ministers have taken up the tone of the security-backed presidency and are calling for “*regulation*” of social media platforms such as **Twitter**, **Instagram** and **Facebook**, which were used to relay footage and enabled Amnesty International to make an estimate of how many were killed, and for CNN journalists to demonstrate the role of the military in the shootings at Lekki. Meanwhile, #EndSARS activists claim the **State Security Service** has launched a barrage of disinformation, via anonymised channels, linking protesters to violent attacks and discrediting their claims of abuse by soldiers and police.⁸

All hope of opening up the economy or any other meaningful reforms that was initially presented with the change of chief of staff has been dashed. The security service chiefs have side-lined Buhari’s new chief of staff, **Ibrahim Gambari** – also with the apparent support of the president.⁹ Gambari, who served as a diplomat under General Sani Abacha, has stepped aside and allowed the military hardliners to hold sway.

With international and domestic political tensions high, the presidency controlled by a security cabal with a bunker mentality, and the economy in dire condition (see below), there is a high risk that “*Nigeria’s wrong turn*” could lead to further political unrest, possibly violent unrest, which in turn would certainly provoke a further military and police clampdown.¹⁰

Economy remains dire despite small uptick in oil prices

Nigeria’s economy is in dire straits with a financial crunch looming. Gross domestic product (GDP) shrank 6.1% in the first quarter and a further 3.2 % in the second quarter. Foreign direct investment is down and portfolio investors have fled. Despite oil prices at their highest level since March rising above \$47 a barrel, the federal government remains cash-strapped and is continuing to struggle to pay civil servants’ salaries at the end of the month.

The financial crisis is immediate and pressing. Finance minister **Zainab Ahmed**’s principal task now appears to be securing loans to cover recurrent spending. Media reported on 4 November that the federal government is seeking a \$1.2 billion loan from **Brazil**.¹¹ Meanwhile, in the light of the current Covid-19 climate, the draft finance bill contains a proposal for the reduction of the minimum tax rate to be paid by companies next year, according to the fiscal policy reforms committee, leaving Nigeria’s population to pay the brunt of costs. The government is under pressure to increase electricity prices again even as the industry begins to implement revised electricity tariffs that were agreed between organised labour and the federal government only in the beginning of November.¹² Sources say it is inevitable that fuel and electricity prices will have to rise further. As it is, the ending of fuel subsidies and the decision to increase electricity prices have driven up inflation. Overall inflation is now at 14% with food inflation at 17%-18% and rising.

“Politicians and government officials are getting [social media and text] messages from population reporting that they are starving. The concern is that the Christmas and New Year holidays are coming up, when it’s a traditional time for people to travel home to their village.

⁷ ARC source, Abuja, 24 Nov 2020.

⁸ Africa Confidential, 5 Nov 2020

⁹ ARC source, Abuja, 24 Nov 2020

¹⁰ ARC source, Abuja, 24 Nov 2020

¹¹ Punch Nigeria, 4 Nov 2020

¹² FBNQuestCapital, analyst’s note, November 2020

Now [with fuel price hikes] people will not be able to afford to travel, that food is so much more expensive that there may be more trouble.”¹³

Nigeria’s **National Bureau of Statistics (NBS)** has started producing monthly Covid-19 impact monitoring reports, with the support of the **World Bank**. These include a survey of 1,950 households nationwide, which shows a decline in households’ income from April to September. Two-thirds of those surveyed had seen a decline in their income on a year-on-year basis, which has led to an increase in indebtedness nationwide.¹⁴ However, most borrowers reported to have borrowed from friends and family, while 16% tapped cooperatives and saving associations. Over half the households surveyed have domestic livestock and some 17% of those surveyed had sold livestock to ease the pressure of the hardship caused by the virus.

Central Bank of Nigeria (CBN) governor **Godwin Emefiele** noted in his communiqué following the 23-24 November monetary policy committee (MPC) meeting that the “*headwinds largely associated with the COVID-19 pandemic and weak crude oil prices*” continue to weigh down the global economy, with Nigeria sliding into recession in Q3 2020, following a second consecutive quarter of contraction in output.¹⁵ Focusing on the need to “*speedily take actions to exit the recession*”, the MPC decided to retain the monetary policy rate at 11.5%, the cash reserve ratio at 27.5% and the liquidity ratio at 30%.

Will the oil sector rescue Nigeria again?

As a fiscal crunch looms, Nigeria’s politicians have turned with renewed impetus to try to pass the **Petroleum Industry Bill (PIB)**, which has been the centrepiece of oil sector reforms for the past 13 years.¹⁶ With the added motivation of an oil sector and Covid-19 provoked economic crisis, and with the ruling APC in control of both the senate and the house of representatives, industry observers hope these essential reforms will provide a new lease of life for the oil sector as the world transitions away from fossil fuels.

Speakers at a PIB-focused webinar on 24 November agreed that it is the “*last chance saloon*” for the PIB, as the Covid-19 pandemic has accelerated the world away from fossil fuels, transitioning to renewable energy and as Nigeria’s oil industry declines.¹⁷ Repeated delays to oil sector reform have resulted in a freeze in investment and development of the sector. As one speaker said, “*The oil sector is only making money in 23 fields.*”

Among the many reforms contained in the bill are key measures to introduce transparency and accountability into a sector mired in corruption and irregularity for decades. The bill makes a provision to create an independent industry regulator charged with the award of licences through a formal, transparent tender process. It reverses the **Petroleum Act**, which grants discretion to the oil minister over the sector, and will make the oil minister responsible for policy alone. Most crucially, the bill provides for reforms to the state-owned petroleum company, the **Nigeria National Petroleum Corporation (NNPC)**. In terms of the bill, the NNPC would become a limited company in terms of the new **Nigerian Companies and Allied Matters Act, (2020)** and would have to operate as a commercial entity. As such, it would have to post regular accounts and submit to regular independent audits.

The bill, first drafted in 2007, has become a political football. It completed its second senate reading on 20 October and may be passed into law by the end of December. Industry experts expect its implementation to take a further five to six years. The risk for Nigeria and its oil sector is that by then the transition away from fossil fuels will be nearly complete.

¹³ ARC source, Abuja, 24 Nov 2020

¹⁴ National Bureau of Statistics, Covid-19 Impact Monitoring, Sep 2020

¹⁵ Central Bank of Nigeria Monetary Policy Committee communiqué, 24 Nov 2020

¹⁶ Petroleum Economist, 3 Nov 2020

¹⁷ Africa Oil and Power, “Nigeria’s Petroleum Industry Bill: A Second Chance for Upstream Growth”, 25 Nov 2020

Will banks think twice before facilitating corrupt money transfers?

The extent of corruption in Nigeria's oil sector is likely to be on display again after the **High Court of Justice** in London (UK) ruled on 12 November that a lawsuit launched by the Nigerian government against US-based bank **JP Morgan Chase**, claiming over \$1.7 billion for its role in a disputed 2011 oilfield deal, will proceed to trial.¹⁸

Progress in this landmark case could make banks accountable for their role in transferring ill-gotten gains of political office holders. In its claim, the Nigerian government alleges JP Morgan was negligent in its decision to transfer the funds in escrow to a company controlled by former oil minister **Dan Etete** instead of to government coffers.¹⁹ The damages sought include the monies allegedly sent to Etete, around \$875m paid out in three instalments, plus interest taking the total to \$1.7 billion.

The suit filed in the English courts in 2017 relates to the purchase of the offshore **OPL 245** oilfield in Nigeria by oil majors **Netherlands**-headquartered **Royal Dutch Shell** and **Italy**-headquartered **Eni ENI.MI** in 2011, which is the subject of an ongoing trial in **Milan** (Italy). Central to the case is a \$1.3 billion payment from Shell and Eni to secure the block that was deposited into a Nigerian government escrow account managed by JP Morgan.

Further information about how Nigerian grand corruption works and how banks and oil majors have facilitated is likely to emerge during the trial. As part of the proceedings, JP Morgan will have to disclose within 21 days which individuals at the bank made the final decision to transfer the funds in question. The bank will have to disclose details of its internal processes. The six-week London trial will start on the first available date after 1 November 2021, meaning that proceedings may not begin until 2022.²⁰

Planner

2023 **(Nigeria)** Presidential elections;

Chronology

25 Nov 2020 **(West Africa)** *Nairametrics*. **African Development Bank** president **Akinwumi Adesina** is reportedly set to announce a \$25 billion investment to develop agriculture in **Nigeria, Senegal, Mali, Gabon and Sudan**;

24 Nov 2020 **Abuja (Nigeria)** *Central Bank of Nigeria communiqué*. **Central Bank of Nigeria (CBN)** governor **Godwin Emefiele** announces the CBN's decision to retain the monetary policy rate at 11.5%, the cash reserve ratio at 27.5% and the liquidity ratio at 30%;

20 Nov 2020 **Abuja (Nigeria)** *Today.ng* **House of Representatives** speaker **Femi Gbajabiamila** admits his security guards killed a citizen obstructing his convoy leaving parliament;

20 Nov 2020 **Brazzaville (Republic of Congo)** *Today.ng* **World Health Organization (WHO)** regional director for **Africa** warns of a coronavirus surge in **Nigeria** and other **African** countries as people move to spend the holidays with family;

19 Nov 2020 **Lagos (Nigeria)** *Financial Times*. **Central Bank of Nigeria** denies targeting the leaders of the anti-police brutality movement after blocking several accounts in an ongoing investigation into those whom the bank suspects of "terrorism financing", according to its filing with the **Abuja Federal High Court**;

19 Nov 2020 **Doha (Qatar)** *Qatar Airways*. **Qatari** national airline **Qatar Airways** launches three weekly flights to **Abuja** via **Lagos** from Doha, commencing 27 November;

¹⁸ Reuters, 12 Nov 2020

¹⁹ Reuters, 12 Nov 2020

²⁰ Reuters, 12 Nov 2020

13 Nov 2020 **Lagos (Nigeria)** *The Guardian*. **United States**-based non-governmental organisation **Human Rights Watch** reports **Nigerian** authorities are cracking down on “#endSars” protesters by charging prominent supporters with financing terrorism and clamping down on independent media reporting;

18 Nov 2020 **Lagos (Nigeria)** *Reuters*. **Nigerian Stock Exchange** members approve a stock market flotation that will turn the exchange into a publicly traded company, positioning it as a gateway for foreign investment;

18 Nov 2020 **Port Harcourt/Lagos (Nigeria)** *Reuters*. Oil companies ask security services to tighten surveillance as anti-police brutality protests turn violent and hundreds of workers face dismissal;

17 Nov 2020 **Abuja (Nigeria)** *Reuters*. **House of Representatives** speaker **Femi Gbajabamila** says an oil reform bill that will overhaul the laws governing Nigeria’s oil and gas industry will be passed within six months;

12 Nov 2020 **Abuja (Nigeria)** *The Guardian*. **Nigeria Centre for Disease Control (NCDC)** reports a sudden spike in yellow fever cases and deaths, with state government officials estimating 72 people have died in **Enugu** and **Delta** states; Nigeria reported 47 yellow fever deaths in 2019;

12 Nov 2020 **London (United Kingdom)** *Reuters*. The **High Court of Justice** in London rules that a **Nigerian** government lawsuit claiming \$1.7 billion following a disputed 2011 oilfield deal against **United States**-based bank **JP Morgan Chase** will proceed to trial;

10 Nov 2020 **Johannesburg (South Africa)** *Reuters*. **France**-headquartered telecoms company **Orange** launches new high-speed telecoms network across **West Africa**, including **Nigeria**;

9 Nov 2020 **Yola/Lagos (Nigeria)** *Reuters*. Looters target government warehouses stocked with **COVID-19** food relief awaiting distribution;

6 Nov 2020 **Geneva (Switzerland)** *Reuters*. The **World Trade Organization** cancels a meeting aimed at breaking the impasse regarding the appointment of Nigeria’s **Ngozi Okonjo-Iweala** as the body’s next director general after the **United States** rejected her as a candidate;

5 Nov 2020 **Nairobi (Kenya)** *Reuters*. **World Health Organization (WHO)** Africa director warns of the knock-on effects of **COVID-19** on other vital health services, noting that in **Nigeria**, 362,000 pregnant women missed their ante-natal care between March and August;

3 Nov 2020 **Lagos (Nigeria)** *Reuters*. The **Nigerian National Petroleum Corporation** reports an explosion hit its **Oil Mining Lease 40** field; no casualties or significant spill were reported, but production will be cut by 10,000 barrels a day;

31 Oct 2020 **Washington, D.C. (United States)** *The New York Times*. **US Special Operations** forces conduct a predawn raid in northern **Nigeria** to rescue a US citizen kidnapped in southern **Niger**;

30 Oct 2020 **Abuja (Nigeria)** *Reuters*. **Nigerian** stocks hit a 16-month high as third-quarter corporate earnings show some companies have weathered **COVID-19** impacts;

28 Oct 2020 **Abuja (Nigeria)** Human rights organisation **Amnesty International** disputes the claim of the Nigerian army that it did not shoot **Lagos** civilians amid anti-police brutality protests;

28 Oct 2020 **Abuja/Lagos (Nigeria)** *Reuters*. Information minister **Lai Mohammed** says “some form of regulation” could be imposed on social media after protesters spread images and videos of a deadly shooting online;

27 Oct 2020 **Abuja (Nigeria)** *Reuters*. State oil firm **Nigerian National Petroleum**

Corporation reports long queues for petrol following protests against police abuses and curfews;

26 Oct 2020 **Southampton (United Kingdom)** *Reuters*. United Kingdom special forces storm an oil tanker under threat from a group of stowaways who boarded in **Lagos (Nigeria)** and police arrest seven men suspected of seizing control of the ship;

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